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Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 SS-15 SP-02 NSC-05 CIAE-00

INR-07 NSAE-00 L-03 H-02 AID-05 EB-07 MC-02 SAB-01

IGA-02 OMB-01 TRSE-00 /063 W
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FM AMEMBASSY PANAMA
TO SECSTATE WASHDC 6813
SECDEF/DSAA-ISA
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INFO USCINCSO QUARRY HEIGHTS SCSA

C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 1296

JOINT EMBASSY/USMILGP MESSAGE

E.O. 11652: GDS
TAGS: MASS
SUBJECT: FY 77 MILITARY SECURITY ASSISTANCE

REF: JOINT STATE/DEFENSE MESSAGE STATE 36160

THIS MESSAGE RESPONDS TO REQUIREMENTS OF PARAS 4 AND 5 REFTEL, WITH RESPONSE KEYED TO PARA AND SUBPARA LETTERING:

PARA 4A: WE DO NOT ENVISION ANY MAJOR ITEM ACQUISITION FROM FY 77 GRANT AID MATERIAL FUNDS. THESE FUNDS WILL CONTINUE TO PROVIDE FOLLOW-ON SUPPORT FOR EQUIPMENT ALREADY IN THE PANAMANIAN GUARDIA NACIONAL (GN) INVENTORY.

PARA 4B: NO RESPONSE REQUIRED.

PARA 5A: HOST COUNTRY WOULD ACCEPT AND CONSUMATE CREDIT AGREEMENT AT LEAST AT LEVEL INDICATED.

PARA 5B. MAJOR ITEM PROCUREMENT IN ORDER OF PRIORITY IS:
PRIORITY 1: PARTIAL FINANCING OF 25 (EA) ARMORED
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VEHICLES PURCHASED FROM US MANUFACTURERS (SEE ALSO

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SUBPARA 5J BELOW).
PRIORITY 2: 3 (EA) HALTHER MARINE 85-FOOT SPECIAL
PATROL BOATS.
PRIORITY 3: PARTIAL FINANCING FOR PURCHASE OF 1 (EA) C-130E
AIRCRAFT.

PARA 5C: YES IN CONCEPT. OUR LATEST JSOP AND MSAP INPUT
REFLECTS THE ACTIVATION OF A NEW GN BATTALION DURING THIS
TIME FRAME. DEPARTMENT OF STATE HAS APPROVED (STATE 4358)
THE SALE OF ARMS THROUGH FMS TO SUPPORT THIS PROJECT. ARMS
PROPOSED FUR PURCHASE FOR WHICH CREDIT WOULD BE PROVIDED
WILL THUS SERVE TO SATISFY MILITARY REQUIREMENT JUSTIFIABLY
DERIVED, IN OUR JUDGMENT, FROM THIS US-APPROVED FORCE GOAL.
PARA 5D: GN PLANNING HAS BEEN INHIBITED OVER THE YEARS BY
PRESENCE OF US MILITARY IN PANAMA AND US COMMITMENT TO
DEFENSE OF CANAL UNDER 1903 TREATY TO VISUALIZING PRIMARY GN ROLES
AS POLICE FUNCTION, CIVIL ORDER AND HANDLING OF ISOLATED
TROUBLE SPOTS. GN HAS NOT, UP TO THE PRESENT, PLANNED FOR NATIONAL
DEFENSE OR DEFENSE OF PANAMA CANAL. BOTH OF THESE LATTER
ROLES ARE NOW ASSUMING INCREASING PROMINENCE IN GN FORWARD
PLANNING FOR FORCE DEVELOPMENTS. ONGOING CANAL TREATY NEGOTIATIONS,
IN PARTICULAR, ARE PROCEEDING ON ASSUMPTION THAT GN WILL
PARTICIPATE WITH US MILITARY IN DEFENSE OF PANAMA CANAL AS
GN DEVELOPS CAPABILITY TO DO SO. AS GN PLANS, PREPARES FOR
AND ASSUMES THESE NEW ROLES, ITS REALIZATION OF INADEQUACY,
AND DEMANDS FOR BETTER AND MORE SOPHISTICATED EQUIPMENT WILL
INCREASE. ITS LEGITIMATE MILITARY EQUIPMENT NEEDS WILL FAR
SURPASS ITS ABILITY TO PROCURE AND PAY FOR ITEMS IT REQUIRES
AT TIME OF PURCHASE. ITEMS MENTIONED IN FOREGOING SUB-PARAS
ARE ALL JUSTIFIABLE REQUIREMENTS OF GN MILITARY,
BUT WILL CONSTITUTE MERELY FIRST PART OF ITS REQUIREMENTS
TO FIT IT FOR NEW ROLES WHICH IT WILL BE ASSUMING OVER COMING
FEW YEARS. AS A CONSEQUENCE, CREDIT SALES ARE JUSTIFIED TO
FACILITATTE EQUIPPING GN TO EXERCIDSE THESE ROLES.

PARA 5E: THE CREDIT PROGRAM IS DIRECTLY RELATED TO THE GRANT
MATERIAL AND TRAINING PROGRAMS IN THAT AS THE GN FORCES ARE
STRUCTURED INTO TACTICAL ELEMENTS SUITABLE FOR NEW GN FORCE
ROLES, THE CREDIT PROGRAM WILL ALLOW MAJOR ITEM PROCUREMENT
WHILE THE GRANT TRAINING PROGRAM PROVIDES FOR TECHNICAL
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SKILLS TO OPERATE NEW EQUIPMENT AND ALLOWS FOR FLEXABILITY
WITHIN EXPANDING ELEMENTS. THE GRANT MATERIAL PROGRAM PROVIDES
A MEANS OF SUPPORTING EQUIPMENT PREVIOUSLY PROVIDED UNDER
GRANT PROGRAMS AND FORMS A LOGISTICAL FRAMEWORK ON WHICH
FUTURE REQUIREMENTS WILL BE BASED.

PARA 5F: FIRST, IT IS US POLICY (STATE 300217 12/22/75) TO
REMAIN PANAMA'S PRINCIPAL OR SOLE SUPPLIER OF ARMS NOW AND IN

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THE FORESEEABLE FUTURE. PROVISION OF ADEQUATE CREDIT TERMS
FOR PURCHASE OF ARMS IS IMPORTANT, IF NOT ESENTIAL, FOR
US TO MAINTAIN THIS ROLE. SECOND, ONGOING CANAL TREATY
NEGOTIATIONS ENVISION GN PARTICIPATING JOINTLY WITH US
MILITARY IN DFENSE OF PANAMA CANAL. TO PERMIT THIS, IT IS A
NECESSARY US OBJECTIVE TO BUILD AND MAINTAIN A CLOSE,
COOPERATIVE AND HARMONIOUS RELATIONSHIP WITH THE GN AS AN
INSTITUTION, AND CREDIT SALES OF ARMS AND EQUIPMENT WILL BE
SIGNIFICANTLY SUPPORTIVE OF THIS OBJECTIVE. FURTHER, JOINT
PARTICIPATION BY THE GN IN FUTURE DEFENSE OF THE PANAMA CANAL
WILL BE CONSIDERABLY FACILITATED ON TECHNICAL MILITARY
GROUNDS IF THERE IS GNERAL COMPATIBILITY BETWEEN MAJOR
ITEMS OF ARMS AND EQUIPMENT IN GN INVENTORY AND COMPARABLE
ITEMS USED BY US FORCES. THIRD, AS A NEW CANAL TREATY
APPROACHES ITS TERMINATION, IT WILL BE A FUNDAMENTAL US
OBJECTIVE TO HAVE BUILT AND MAINTAINED A CLIMATE OF OPINION
AND A COOPERATIVE RELATIONSHIP, AS WELL AS CONCRETE AND
MATERIAL TIES ARISING OUT OF OUR ROLE AS PRINCIPAL ARMS SUPPLIER,
WHICH WILL FACILITATE OUR REACHING SOME ARRANGMENT FOR
CONTINUATION OF US DEFENSE RELATIONSHIPS WITH PANAMA RELATIVE
TO THE CANAL SUBSEQUENT TO THE TERMINATION OF THE NEW
TREATY ITSELF. DURING THE LIFETIME OF THE TREATY, IN SHORT,
WE MUST SEEK TO TIE THE GN, AS IRREVOCABLY AS POSSIBLE, TO THE
US WITH BONDS THAT WILL OUTLAST THE TREATY PROPER.
CREDIT MILITARY SALES WILL AID SIGNIFICANTLY IN DOING THIS.
FOURTH AND FINALLY, THE ULTIMATE US OBJECTIVE IN PANAMA,
BOTH DURING AND BEYOND THE LIFETIME OF THE NEW TREATY IS TO
MAINTAIN THE PANAMA CANAL OPEN, SAFE, EFFICIENT AND NEUTRAL,
AND AVAILABLE TO OUR VESSELS AND THOSE OF THE REST OF THE WORLD.
IN THE LONG RUN, MUCH OF THE ACHIEVEMENT OF THIS OBJECTIVE
WILL RELATE DIRECTLY TO THE CAPABILITIES OF THE GN IN PROVIDING
FOR DEFENSE OF THE CANAL, PARTICULARLY AFTER THE TERMINATION
OF THE NEW TREATY NOW UNDER NEGOTIATION. AVAILABILITY OF
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ADEQUATE ARMS AND EQUIPMENT UNDER SUITABLE CREDIT TERMS FROM
THE US, IN ADDITION TO BEING SUPPORTIVE OF THE FOREGOING THREE
POLICY OBJECTIVES, WILL BE AN IMPORTANT PART OF PREPARATIONS
AGAINST THE DAY WHEN THE PRINCIPAL ON-THE-GROUND DEFENSE OF
THE CANAL, AND OF PANAMA, WILL BE SOLELY THE RESPONSIBILITY
OF THE GN, WHO WILL ESSENTIALLY BE SERVING OUR INTERESTS AS
WELL IN EXECUTING THIS RESPONSIBILITY.

PARA 5G: RESPONSE TO THIS QUESTION BREAKS INTO TWO PARTS,
I.E., PANAMA'S RELATIONS WITH ITS LATIN NEIGHBORS EXCEPT FOR
CUBA, AND ITS MILITARY POSITION VIS-A-VIS CUBA.

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INFO OCT-01 ARA-06 ISO-00 SS-15 SP-02 NSC-05 CIAE-00

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---------- 047892
R 201436Z FEB 76
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC 6814
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JCS/J-5
INFO USCINCSO QUARRY HEIGHTS/SCSA

C O N F I D E N T I A L SECTION 2 OF 2 PANAMA 1296

JOINT STATE/MILGRP MESSAGE

A. RELATIVE TO ITS LATIN NEIGHBORS, CREDIT
SALE OF US ARMS WILL NEITHER AFFECT A REGIONAL ARMS
BALANCE NOR CONTRIBUTE TO AN ARMS RACE. PANAMA HAS NO
OUTSTANDING BORDER DISPUTES WITH EITHER OF ITS LAND NEIGHBORS,
COLOMBIA OR COSTA RICA. PANAMA DOES NOT REGARD ITSELF AS
IN ARMS COMPETITION WITH EITHER OF THESE STATES, OR WITH ANY OF
ITS OTHER NEARBY LATIN NEIGHBORS. NOR, SO FAR
AS WE ARE AWARE, DO ANY OF THESE NEIGHBORS REGARD THEMSELVES
AS IN COMPETITION WITH PANAMA. AS NOTED ABOVE, ONE OF THE
PRINCIPAL JUSTIFICATIONS FOR CREDIT ARMS SALES TO PANAMA IS
TO DEVELOP ITS CAPABILITY TO PARTICIPATE ADEQUATELY IN
IN THE DEFENSE OF THE PANAMA CANAL. UNLESS AND UNTIL SOME OF
ITS LATIN NEIGHBORS BECOME POTENTIAL THREATS TO THE CANAL--WHICH
IS NOT NOW THE CASE AND WHICH WE DO NOT EXPECT WILL BECOME
THE CASE IN ANY REALISTIC CONCEIVABLE FUTURE--SUCH
DEVELOPMENT OF GN CAPABILITY HAS LITTLE OR NO RELATIONSHIP
TO REGIONAL ARMS BALANCE OR TO A REGIONAL ARMS RACE.

B. CUBA, IN OUR VIEW, IS NOT ESSENTIALLY A STRICTLY
REGIONAL PROBLEM, BUT RATHER IS A MANIFESTATION OF A GLOBAL
PROBLEM AFFECTING PANAMA'S INTERESTS IN GREAT MEASURE TO
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THE EXTENT THAT THEY ARE COTERMINOUS WITH US INTERESTS ON
THE ISTHMUS, I.E., IN TERMS OF THREAT, DIRECT OR INDIRECT,
TO THE CANAL. AN "ARMS RACE" BETWEEN PANAMA AND CUBA IS
NOT A REALISTIC PROPOSITION--PANAMA BY ITSELF IS TOO SMALL,
AND THE US, WE FEEL, WOULD NOT BE ABOUT TO BANKROLL IT TO
THE EXTENT THAT THE SOVIETS HAVE BEEN WILLING TO SUPPORT CUBA.
HOWEVER, WHEN CONSIDERING THE BALANCE BETWEEN THE REALISTIC
POTENTIAL CUBAN THREAT TO PANAMA, THAT OF CUBAN-INSPIRED OR
SUPPORTED INSURGENCY OR TERRORIST/GUERILLA ACTION, CREDIT ARMS
SALES WOULD INDISPUTABLY AFFECT THIS BALANCE--VERY MUCH TO THE
PANAMANIAN AND, HENCE, THE US, ADVANTAGE.

PARA 5H: YES. PANAMA WILL NOT HAVE THE READY CASH TO ACQUIRE
NEW MATERIAL COMENSURATE WITH HER REQUIREMENTS ON ANY BUT
THE BEST AVAILABLE CREDIT TERMS FOR PURCHASE.

PARA 5I: PANAMA'S DEVELOPMENT PROGRAMS ARE ADEQUATELY SUPPORTED,
AND APPEAR LIKELY TO BE SO, FROM BOTH INTERNAL AND EXTERNAL
SOURCES, IN THE FORESEEABLE FUTURE. THE COUNTRY'S ECONOMY
HAS GROWN RAPIDLY OVER MOST OF THE PAST DECADE, AND HAS GOOD
PROSPECTS FOR CONTINUING ITS GROWTH AS THE WORLDWIDE RECESSION
OF THE PAST FEW YEARS MODERATES. THE COUNTRY HAS ALSO
DEVELOPED RAPIDLY AS A HEMISPHERIC CENTER OF BANKING,
COMMERCE AND FINANCE, AND APPEARS LIKELY TO CONTINUE SUCH
DEVELOPMENT. ACHIEVEMENT OF A NEW CANAL TREATY WILL PROBABLY
FACILITATE THIS PROCESS. GOP PROJECTIONS (ALBEIT PROBABLY
OPTIMISTIC ONES) ARE THAT WITHIN NEXT 15 YEARS, PER CAPITA
GNP FOR COUNTRY COULD AS MUCH AS DOUBLE IN CONSTANT DOLLAR
TERMS, ASSUMING THAT CURRENT DEVELOPMENT PLANS CAN BE MET AND
GROWTH OF COMMERCE, FINANCE AND BANKING CONTINUES AT
PRESENT, GN ACCOUNTS FOR ONLY A SMALL FRACTION OF GOP OVERALL
NATIONAL BUDGET. ACCORDINGLY, IT IS OUR JUDGMENT THAT PANAMA
HAS THE CAPABILITY TO SUPPORT CREDIT MILITARY SALES OF
MAGNITUDE ENVISAGED ABOVE WITHOUT SIGNIFICANT HARM TO DEVELOPMENT
PLANS AND WITHOUT CLAIMS ON FUTURE BUDGETS EXCESSIVE TO WHAT
COUNTRY MAY REALISTICALLY BE EXPECTED TO PAY
FOR ITS NATIONAL DEFENSE. WHILE PUBLIC DEBT, BOTH INTERNAL
AND EXTERNAL, HAS GROWN RAPIDLY OVER PAST SEVERAL
YEARS PRIMARILY AS A RESULT OF COUNTRY'S AMBITIOUS DEVELOPMENT
PROGRAM, NORMAL FOREIGN EXCHANGE RESOURCE CONSTRAINTS
DO NOT APPLY IN CASE OF PANAMA AS DOLLAR IS UTILIZED AS
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DE FACTO CURRENCY.

PARA 5J: PANAMA HAS REQUESTED AND RECEIVED THIS YEAR APPROVAL
FOR PURCHASE OF MORTARS AND RECOILLESS RIFLES UNDER FMS
PROCEDURES. ADDITIONAL APPROVAL TO SEEK A COMMERCIAL SUPPLIER

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FOR ARMORED VEHICLES HAS BEEN OBTAINED. ALL OF THESE PURCHASES
ARE DESIGNED TO ACTIVATE THE FIRST OF FOUR GN BATTALIONS
IN THE NEAR FUTURE. WE FEEL THAT IF THE PROPOSED CREDIT
IS APPROVED, THE FIRST PRIORITY OF THE GN WILL BE TO HELP
FINANCE THE ARMORED VEHICLE PURCHASE, WHICH IS ESTIMATED AT
A TOTAL OF $4-MILLION. NO THIRD COUNTRY PURCHASES ARE
KNOWN TO BE CONTEMPLATED BY THE GN AT THIS TIME.

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